

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7455**

**BILL NUMBER: SB 294**

**DATE PREPARED:** Apr 19, 1999

**BILL AMENDED:** Apr 8, 1999

**SUBJECT:** State and local administration.

**FISCAL ANALYST:** Kristin Breen; Mark Goodpaster; Beverly Holloway

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**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) (1) This bill provides that lottery tickets may not be sold from a vending machine.

(2) It authorizes an Indiana nonprofit corporation that is organized and operated solely to support a state assisted college or university to conduct a game of chance outside the county in which the nonprofit corporation has its principal office.

(3) It establishes a community college program.

(4) It requires a person that holds a permit under the horse racing statute to file an annual report with the Indiana Horse Racing Commission (HRC) disclosing the names of each person that is considered to have an interest in the permit holder under the statute that prohibits political contributions by persons who have an interest in a permit holder. It requires a person that holds a license under the riverboat gaming statute to file an annual report with the Indiana Gaming Commission (IGC) disclosing the names of each person that is considered to have an interest in the licensee under the statute that prohibits political contributions by persons who have an interest in a licensee. It requires the HRC and the IGC to compile the reports received from permit holders and licensees and send an electronic copy of the compiled report to the Election Division.

(5) It provides that a permit holder or a licensee who knowingly or intentionally fails to file a report, files an incomplete report, files a report containing a false statement, or fails to file updated information as required commits a Class D felony. It requires the appropriate Commission to impose sanctions on a permit holder or a licensee if the Commission finds by a preponderance of the evidence that the permit holder or the licensee has knowingly or intentionally failed to file a report, filed an incomplete report, filed a report containing a false statement, or fails to provide updated information as required. It provides that the sanctions may include a civil penalty of at least \$5,000 but not more than \$500,000, suspension of a permit or a license,

or revocation of a permit or license.

(6) It requires the Election Division to merge the compiled reports and make the merged report available for public inspection through an on-line service. It provides that all reports, compiled reports, and merged reports are public records. It provides that a candidate or a political committee may accept a campaign contribution from a person who has an interest in a permit holder under the horse racing statute or a licensee under the riverboat gaming statute if the person's name does not appear on the merged report or, if the person's name appears on the merged report, the contribution is received after the expiration of the period during which the person is prohibited from making a contribution.

(7) It provides that a person who has certain gaming interests may not make certain political contributions, directly or indirectly. It provides that persons who have certain gaming interests may not make contributions to political action committees.

(8) It authorizes the Attorney General to issue opinions at the request of a person who holds a horse racing permit or a riverboat license regarding whether a named person has an interest in a permit holder or a licensee under the statute that prohibits persons who have certain interests in permit holders or licensees from making political contributions. It provides that certain persons may rely upon any conclusions contained in the Attorney General's opinion.

(9) It makes several other changes in campaign finance law.

**Effective Date:** (Amended) July 1, 1997 (retroactive); January 1, 1998 (retroactive); January 1, 1999 (retroactive); Upon passage; July 1, 1999.

**Explanation of State Expenditures:** (Revised) (3) This bill establishes a community college program by coordinating the programs offered by Vincennes University and Ivy Tech State College. Each institution will remain independent. Under this program, Ivy Tech State College would offer primarily the vocational and technical education component of the community college program curriculum, while Vincennes would offer general education, academic transfer programs, and the developmental and remedial component of the community college program curriculum. Both systems shall offer the business and industry training component of the community college program on a nonduplicative basis that is consistent with the courses of study offered by each institution.

The Budget Committee shall designate ten sites across the state where a community college program shall be offered during the next three calendar years. These sites include: Indianapolis, Muncie, Lafayette, Anderson, Marion, Valparaiso, Logansport, Madison, Warsaw, and Lawrenceburg.

During calendar year 2000, three sites may be approved. One site must be in Indianapolis, while two sites may be from any of these seven cities: Anderson, Marion, Valparaiso, Logansport, Madison, Warsaw, or Lawrenceburg. During calendar year 2001, three sites may be approved, including one in Muncie and two other sites from the seven cities that were not selected in the first year. During calendar year 2002, four sites would be established including Lafayette and the three remaining cities that were not included in the two previous years.

Adding new programs would likely increase enrollment for either Vincennes University, Ivy Tech or both. The full impact of this enrollment increase would not be known for several years. Program sites are currently not anticipated to require additional capital costs, but may require additional faculty and support staff as

enrollments grow.

The cost of each student attending is offset by a combination of tuition paid by the student, financial assistance provided by state programs, and actual state expenditures based on enrollment. Consequently, the additional programs that would be offered would likely require enrollment change funding for operations of Ivy Tech and Vincennes and additional requests for state financial assistance from programs that are administered by the State Student Assistance Commission.

(4) It requires a person that holds a horse track permit or a riverboat license to file an annual report with the Horse Racing Commission (HRC) or the Indiana Gaming Commission (IGC) disclosing the names of each person that is considered to have an interest in the permit holder or license. It also requires the HRC and the IGC to compile the reports and send an electronic copy to the Election Division. It is estimated that the cost to develop a database for the names will range from \$55,000 to \$70,000. There may also be additional costs to update and maintain the database. Since the HRC and the IGC are required to develop a uniform format, it is assumed that the two agencies will share the cost to develop and maintain the database. In addition, it is estimated that the cost for the Election Division to post these reports and any updates on the Internet in a searchable format will equal approximately \$35,000. There will also be minimal expenses associated with the adoption of emergency rules.

There may also be additional staffing costs for the IGC and the HRC. The funds and resources required above could be supplied through a variety of sources, including the following: (a) Existing staff and resources not currently being used to capacity; (b) Existing staff and resources currently being used in another program; (c) Authorized, but vacant, staff positions, including those positions that would need to be reclassified; (d) Funds that, otherwise, would be reverted; or (e) New appropriations. As of March 1999, the IGC had eight vacant positions. In addition, the IGC reverted approximately \$1.3 million to the State Gaming Account within the state General Fund in FY 98. As of March 1999, the HRC had three vacant positions and reverted approximately \$240,000 to the state General Fund in FY 98. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

The IGC receives appropriations for administrative expenses from the State Gaming Account within the state General Fund. Money in the State Gaming Account comes from riverboat wagering tax revenue. The HRC also receives state General Fund appropriations for administrative expenses. Horse racing revenue is deposited in the state General Fund.

(5) It provides that a permit holder or a licensee who knowingly or intentionally fails to file a report, files an incomplete report, files a report containing a false statement, or fails to file updated information as required commits a Class D felony. A Class D felony is punishable by a prison term ranging from 6 months to 3 years or reduction to Class A misdemeanor depending upon mitigating and aggravating circumstances. The average expenditure to house an adult offender was \$20,500 in FY 97. Individual facility expenditures range from \$11,000 to \$27,000. (This does not include the cost of new construction.) If offenders can be housed in existing facilities with no additional staff, the average cost for medical care, food, and clothing is approximately \$1,825 annually or \$5 daily per prisoner. The average length of stay in DOC facilities for all Class D felony offenders is approximately seven months.

(6) It requires the Election Division to merge the compiled reports and make the merged report available for public inspection through an on-line service. There may be additional costs of placing and maintaining the reports on an on-line service. It also requires the Election Division, the HRC, and the IGC to provide paper copies of the report to the public. Since the paper copies would be subject to copying charges, these entities

could recover any copying costs.

(8) It authorizes the Attorney General (AG) to issue opinions at the request of a person who holds a horse racing permit or a riverboat license regarding whether a named person has an interest in a permit holder or a licensee under the statute that prohibits persons who have certain interests in permit holders or licensees from making political contributions. It is estimated that any increase in expenditures related to this provision could be absorbed within the AG's current budget.

(9) It allows the Indiana Election Commission to disband an inactive committee which in turn would reduce staff time and costs required in determining and following-up an inactive committee.

The Election Division is required to provide the Legislative Council with a list of proposed codes not later than October 1, 1999. This can be done within the existing budget of the Election Division.

**Explanation of State Revenues:** (Revised) (1) It prohibits the sale of lottery tickets from instant ticket vending machines after June 30, 1999. The elimination of these machines will likely decrease the total number of lottery retailers, total ticket sales, and lottery net income. Between FY 94 and FY 98, the lottery had an average net income of approximately \$180 million per year. Absent any impact from this bill, it is estimated that net income will remain constant in FY 2000 and FY 2001.

It is estimated that there are 700 instant ticket vending machines in the state. A conservative estimate of ticket sales generated by each vending machine is approximately \$1,000 per week. Therefore, the estimated yearly sales for the 700 machines would be approximately \$36.4 million. Approximately 30% of total sales revenue goes to the state as net income. Based on the assumption that vending machine sales would have remained constant, it is estimated that the state could lose approximately \$10.9 million in net income each year starting in FY 2000.

Each year, lottery revenue is first transferred to the Teachers' Retirement Fund (\$30 million) and the Pension Relief Fund (\$10 million). Surplus lottery revenue is then deposited in the Lottery and Gaming Surplus Account (LGSA) within the Build Indiana Fund (BIF). A statutorily-determined amount of revenue in the LGSA is transferred each year to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. A portion of money remaining in the LGSA is then transferred to the State and Local Capital Projects Account (SLCPA) within the BIF. Projected lottery net income is shown below.

**Projected Lottery Net Income and Distributions: FY 2000 & FY 2001**

	<b>With Vending Machines</b>	<b>Without Vending Machines</b>
Projected Lottery Net Income	180.0	169.1
Teachers' Retirement Fund	(30.0)	(30.0)
Pension Relief Fund	(10.0)	(10.0)
Surplus Lottery Revenue to LGSA	140.0	129.1

Along with projected revenue from the riverboat wagering tax, the pari-mutuel wagering tax, and charity gaming, it is estimated that there will be sufficient revenue in the LGSA for distributions to MVETRA and the SLCPA.

This bill also provides that the sale of lottery tickets from instant ticket vending machines after June 30, 1999

and the possession of an instant ticket vending machine after July 31, 1999, is a Class A misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund could increase. The maximum fine for a Class A misdemeanor is \$5,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, county or municipal court (courts of record), 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

(2) It allows a qualified organization that is an Indiana nonprofit corporation organized and operated solely for the benefit of a state educational institution to conduct an allowable charity gaming event outside the county where the principal office is located. Under current statute, a qualified organization may only conduct an event outside the county where the principal office is located if the organization or its affiliate is having a convention or other annual meeting of its membership in the county in which the event is conducted. This may increase the number of events that are conducted, which may increase charity gaming license revenue, charity gaming excise tax revenue, and sales tax revenue.

For the first year, the license fee is \$25 per event and for subsequent years, it is based on total gross revenue from the events in the previous year. In FY 98, approximately \$3.9 million was collected in license revenue. Revenue is deposited in the Charity Gaming Enforcement Fund. Revenue remaining after the costs of administration are subtracted is deposited in the LGSA.

The excise tax is 10% of the wholesale price of pull tabs, punchboards, and tip boards. In FY 98, approximately \$1.2 million was collected from the excise tax. Revenue is deposited in the Charity Gaming Enforcement Fund and LGSA. Sales tax revenue is deposited in the state General Fund, the Property Tax Replacement Fund, and two dedicated funds.

(5) It requires the HRC and the IGC to impose sanctions on a permit holder or a licensee if the Commission finds by a preponderance of the evidence that the permit holder or the licensee has knowingly or intentionally failed to file a report, filed an incomplete report, filed a report containing a false statement, or fails to provide updated information as required. It provides that the sanctions may include a civil penalty of at least \$5,000 but not more than \$500,000, suspension of a permit or a license, or revocation of a permit or license. Civil penalty revenue is deposited in the state General Fund.

If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund could increase. The maximum fine for a Class D felony is \$10,000. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior, county or municipal court (courts of record), 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

**Explanation of Local Expenditures:** (Revised) (1) A Class A misdemeanor is punishable by up to one year in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

(5) If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. The average cost per day is approximately \$44.

**Explanation of Local Revenues:** (Revised) (1) If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (a) The county general fund

would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (b) A \$3 fee would be assessed, and if collected would be deposited into the county law enforcement continuing education fund. (c) A \$2 jury fee is assessed, and if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

(5) If additional court actions occur and a guilty verdict is entered, local governments would receive additional revenue.

**State Agencies Affected:** Horse Racing Commission; Indiana Gaming Commission; Election Division; Vincennes University; Ivy Tech State College; Attorney General's Office; General Assembly; Lottery Commission; Indiana Election Commission; Secretary of State's Office; Department of Correction.

**Local Agencies Affected:** Political subdivisions; Anderson; Indianapolis; Lafayette; Lawrenceburg; Logansport; Madison; Marion; Muncie; Valparaiso; Warsaw; County election board; Trial courts; Local law enforcement agencies.

**Information Sources:** Mike Baumgartner, State Budget Agency, 232-5623; Diane Balk, Lottery Commission, 264-4940; Laurie Christie, Co-Director, Indiana Election Division, 233-0929; Brad King, Co-General Counsel, Indiana Election Division, 232-3929; Jack Thar, Indiana Gaming Commission, 232-0046; Joe Gorajec, Horse Racing Commission, 233-3119; Indiana Sheriffs Association; Department of Correction.